

NORTH DAKOTA PUBLIC SERVICE COMMISSION
August 23, 2006

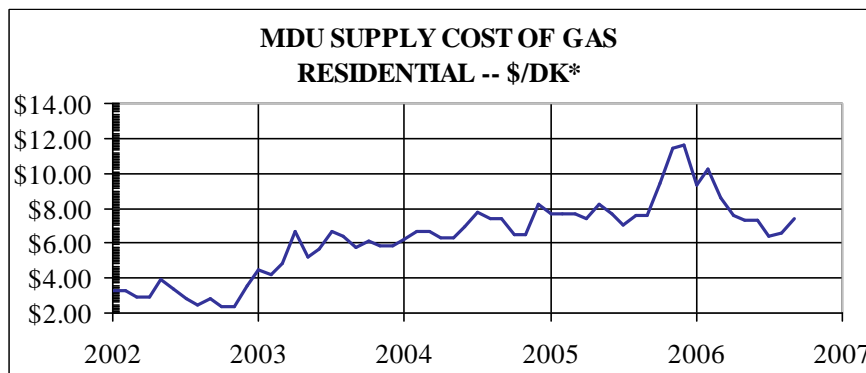
**Montana-Dakota Utilities Co., a Division of
MDU Resources Group, Inc.
September 2006
Cost of Gas Adjustment-Natural Gas**

**PU-06-355
Filed 08/11/2006**

SUMMARY OF PROPOSAL:

MDU is increasing its Cost of Gas charge by \$0.804 per dekatherm (dk) compared to last month. This Cost of Gas charge will be applied to natural gas bills issued during September 2006. This changes the Cost of Gas charge from \$6.625 per dk to \$7.429 per dk.

For residential consumption of 4.0 dk (representative of September), the cost of gas in the bill will be approximately \$3.22 higher than last month and \$0.60 lower than September 2005. As of July 31, 2005 MDU served 86,960 natural gas customers in North Dakota.



The cost of gas change is due to:

- \$0.804 per dk increase in the commodity cost of gas.

The increase in the price of gas for sale is attributed to record high temperatures across the United States that increased demand for electric generation. Volumes of natural gas in storage on July 28 were 19 percent above the five year average, however, futures prices remain high and are likely reflecting market expectation for persisting tight supply of natural gas.

For MDU, the Cost of Gas for the month is locked in by contract on the 1st or 2nd business day of the preceding month based on the Rocky Mountain CIG (Colorado Interstate Gas Company) Index.

The Rocky Mountain CIG Index is based on a price discovery survey by several natural gas periodicals, such as the "Inside FERC Gas Market" report and "Gas Daily" by McGraw Hill, or prices paid by willing sellers and buyers of quantities of gas in that region. The monthly price for the Rocky Mountain CIG Index is indicative of a majority of the supplies Montana-Dakota purchases for its requirements.

The Department of Energy's (DOE) Energy Information Administration (EIA) provides various publications on energy issues. The information is available on the EIA website: <http://www.eia.doe.gov>.

M O T I O N

August 23, 2006

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September 2006
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Case No. PU-06-355

I move the Commission approve Montana-Dakota Utilities Co.'s Natural Gas Cost of Gas Adjustment for September 2006, Case No. PU-06-355.

PJF